63D CONGRESS
2d Session

SENATE

DOCUMENT
No. 552

THOMAS D. JONES

PAPERS

RELATIVE TO

THE NOMINATION OF THOMAS D. JONES TO BE A MEMBER OF THE FEDERAL RESERVE BOARD

WASHINGTON
GOVERNMENT PRINTING OFFICE
1914

S D—63–2—vol 28——33

In Executive Session,
Senate of the United States,
July 21, 1914.

Ordered, That the injunction of secrecy be removed from the report of the Committee on Banking and Currency recommending the rejection of the nomination of Thomas D. Jones to be a member of the Federal Reserve Board, from the hearings before the said committee on Mr. Jones's nomination, from Mr. Jones's letter commenting on the report of the committee, from the minority views of members of the committee (still to be submitted), and from any reply the committee may make to the said minority views.

Ordered further, That all the aforesaid documents be printed.

Attest:

James M. Baker, *Secretary.*

Executive Report No. 1, Sixty-third Congress, second session.

NOMINATION OF THOMAS D. JONES.

JULY 15, 1914.—Ordered to be printed in confidence.
JULY 21, 1914.—Injunction of secrecy removed.

Mr. HITCHCOCK, from the Committee on Banking and Currency, submitted the following

ADVERSE REPORT.

[To accompany the nomination of Thomas D. Jones to be a member of the Federal Reserve Board.]

The Committee on Banking and Currency herewith reports to the Senate the appointment of Mr. Thomas D. Jones, nominated to be a member of the Federal Reserve Board, and recommends that the Senate decline to advise and consent to the same.

This recommendation is based on the fact that Mr. Jones is an active director in the Harvester Trust and one of the founders and directors of the Zinc Trust. The first has been judicially declared to be an unlawful conspiracy in several States and is now being prosecuted by the United States. The latter has established a practical monopoly in oxide of zinc, has raised the price of the same to consumers, and on a capital of $10,000,000 is making an unconscionable profit of $5,000,000 a year.

THE HARVESTER TRUST.

The Harvester Trust was organized in 1902 under the name of the International Harvester Co., with a capital of $120,000,000. It was formed and financed by J. P. Morgan & Co., which took in four harvester companies, known as the McCormick, Deering, Champion, and Plano concerns. These four concerns received $103,144,660.98 in stock, or 86 per cent of the whole issue. The McCormick interests received $51,148,704.13, or 42.6 per cent; the Deering interests $41,280,167.85, or 34.4 per cent. Nine per cent of the stock went to the other two concerns. J. P. Morgan & Co. received as a commission for forming the trust over $3,000,000 in stock, and they also received $3,000,000 in stock in payment for a fifth concern, the Milwaukee Harvester Co., which they had purchased, thus making $6,000,000 of the stock which was turned over to J. P. Morgan & Co. Ten million dollars of the stock was sold for cash to Rockefeller and others through the firm of J. P. Morgan & Co.

Second. The effect of the organization of the trust was to do away with competition between the five great harvester companies, which were doing about 85 per cent of the business of the United States.

Third. All of the stock received by the four harvester companies in payment for their plants was under a trust agreement at once deposited with J. P. Morgan & Co., and the power to vote it placed in the hands of three men, to wit, Mr. Perkins, of the firm of Morgan & Co.; Mr. McCormick, and Mr. Deering. This was to continue for 5 years, and was made renewable for another 5 years, and did, as a matter of fact, continue for 10 years, until 1912, when the Federal Government began proceedings against the trust.

Fourth. Those who were thus required to deposit their stock with the voting trustees received stock certificates, but they were required to agree not to sell these certificates except in limited amounts over a period of years, and in order to guarantee their fulfillment of this contract they were also required to deposit their trust certificates with J. P. Morgan & Co. Thus the full control over 85 or 90 per cent of the harvester business of the country was placed for 10 years in the hands of three men, and the power of constituent companies to part with their holdings or realize money on them was limited and circumscribed.

Fifth. All directors of the harvester company from 1902 to 1912 were elected by the votes of the three trustees above named, and among those thus elected was Mr. Thomas D. Jones, in April, 1909.

Sixth. Mr. Jones was not financially interested in the company, but purchased a share of stock for $100 cash in order to qualify himself as a director. In a sense, therefore, he was, and is, what is known as a dummy director.

Seventh. It has been said in behalf of Mr. Jones that he became a director for the purpose of reforming the company, but Mr. Jones's testimony is unqualified and in repeated statements shows that he became a director to please his lifelong friend, Mr. Cyrus H. McCormick, the largest owner in the trust and the chief beneficiary of the trust. Furthermore, Mr. Jones states that since he became a director he has participated in and agreed to all important decisions concerning the policy of the trust; that he is in entire accord with the other directors; that he has at no time made any effort to modify the policy of the trust or lead it to conform to the law of the United States or of the various States. He stands, therefore, in no different relation to the trust than other directors and Mr. McCormick or Mr. Perkins himself would be just as eligible for a position upon the Federal Reserve Board as Mr. Jones.

Eighth. Against the claim that Mr. Jones's position as a director was merely nominal, and that he did not participate in the responsibility for the policy and unlawful practices of the company during recent years, may be taken his statement on page 8 of the hearings that he took an active interest as a director; that the meetings were held every two weeks; that in five years he has only missed two or three of those held in Chicago and a few of those occasionally held in New York. He specifically stated that he was present when the $20,000,000 stock dividend was declared and supported the proposition. When the company was prosecuted as a trust, he examined the pleadings and briefs in the case and approved the action taken by the trust's attorneys, and he has approved and participated in

the stand of his company in resisting the prosecution by the Government of the United States; that he approves the swollen capital of the company and the great increase of its earnings in recent years which have resulted from the formation and operation of the trust in recent years while he has been a director.

Ninth. The harvester company is of all the American trusts probably the most obnoxious and notorious. Starting with five or six established brands of harvesting machinery, which previous to that time had been sold in competition with each other, it united them into one ownership, and then enlarged its activities so as to take in other agricultural machinery, such as cream separators, binding twine, and manure spreaders, not originally manufactured by the constituent companies. In this way it rapidly acquired a control of the market in those lines also.

It threw over 12,000 traveling men and office men out of employment. It increased the selling price of its products. It secretly bought out so-called independent harvester companies, but continued to operate them under the pretense that they were independent. It did this to destroy competition that was really independent and to deceive the retail trade and the consumer. In some cases its secret subsidiaries, pretending to act as independent companies, sent out inflammatory advertising, denouncing the harvester company, for the purpose of deceiving the retail dealers and crowding out the products of companies which were really independent. Sometimes it crushed an independent competitor by destroying its credit, as in the case of the Osborn Harvester Works, whose large loans were suddenly called and which was compelled to sell to the trust to escape bankruptcy, after which for several years the trust operated the Osborn Harvester Works as a blind or stool pigeon of so-called independent manufacturers. It established several thousand agencies throughout the United States and, not content with the natural monopoly which resulted from its control of the leading brands of harvesting machinery, it bound them by contract to handle nothing but its trust-made goods.

Tenth. The policy of the company in crushing competition by unfair methods, dismissing employees, increasing prices, has resulted in an enormous increase in the profits of the trust. Starting with a profit of $5,000,000 or $6,000,000 a year, the trust has increased its profits year by year, so that they were $10,000,000 in 1908 and $16,000,000 in 1911, as shown by the report of the Bureau of Corporations.

Eleventh. The Bureau of Corporations in its report a year ago recited seven objectionable competitive methods adopted by the trust to destroy competition and interviewed 800 retail dealers in 600 towns concerning the same. More than 400 condemned the practices of the company as unfair and only 200 spoke well of the company, although doing business with it.

Twelfth. Many State legislatures have denounced this trust and many State courts have convicted and punished, or attempted to punish, it for violating State laws, including Kansas, Texas, Missouri, Ohio, Arkansas, Kentucky, and Montana. Most of these prosecutions have occurred while Mr. Jones has been a director.

Thirteenth. In response to nation-wide complaints against this trust, its officers and directors, the United States Government brought action against it in the summer of 1912 and named as one of the defendants in the case Mr. Thomas D. Jones. The charges made by

authority of the United States against the trust involved not only the violation of law in the original formation of the trust, but the continued violation and defiance of law with the purpose of enlarging the scope of business so as to create a complete monopoly of agricultural implements. This policy and these acts covered the time Mr. Jones has been a director. He fully approves all acts done recently—see page 36 of his testimony. Mr. Jones agrees with and accepts part responsibility for the attitude of the trust in resisting and defying the United States as it has also resisted and defied the various States.

Fourteenth. About the time the United States action was brought the trust divorced its foreign business from that in the United States by creating a separate concern known as the International Harvester Corporation, and diverted about half of its great capital to that corporation so that it might be beyond the reach of the United States in case the Government wins the action now pending. Mr. Jones participated in this act of invasion as he did in earlier acts of defiance.

Fifteenth. Should the Government be successful in its suit, the Harvester Trust will be declared an outlaw, and whether its directors are or are not subjected to criminal prosecution it is not thinkable that any of them could be permitted to hold a position of trust and honor under the Government. It is hardly less conceivable that a government should install in high office a man whom it is now prosecuting for violation of law.

THE ZINC TRUST.

Mr. Jones was one of those who in 1897 took part in the consolidation of the oxide of zinc interests of the United States into a company with $10,000,000 capital stock and $3,000,000 bonds. This company enjoys a practical monopoly in the United States. It makes about 85 to 90 per cent of the zinc oxide used in mixing paints. The rest is made by the Sherwin & Williams Paint Co. for their own use as paint manufacturers.

The company owns practically all of the known zinc ore in the United States, its chief mines being in New Jersey and Wisconsin. The only zinc ore not owned by the company in this country belongs to the Sherwin-Williams Co.

Prior to 1897, Mr. Jones and his brother owned the Wisconsin mines, and their company was capitalized at $400,000. In that year they formed their consolidation with the New Jersey Zinc Co., which had a capital of $4,000,000. This was now increased to $10,000,000, and the Jones company received $900,000 of it for their share in the combination. Some other smaller companies were also purchased. After the consolidation, profits increased year by year. Two years ago the company raised the price of zinc oxide. It then was able to declare a dividend of $4,000,000 on $10,000,000 capital. Last year it paid $5,000,000 in dividends on a capital of $10,000,000.

This company has not been prosecuted as a trust, but the union of competing companies into a single concern, the monopoly enjoyed, the control of prices, the raising of the same, and the payment of enormous dividends of 40 and 50 per cent a year on an inflated capital, present all the earmarks of a trust. Its control of the market on oxide of zinc is so complete that the paint mixers and

makers of the country, with the exception of one large firm, are at its mercy.

The fact that Mr. Jones participated in the organization of this monopoly and enjoys its unconscionable profits, throws a strong light on his connection with and support of the Harvester Trust.

For all of these reasons the committee reports against Mr. Jones's confirmation. It believes that the great powers of the Reserve Board should not in any degree be exercised by men who are defying the laws of the United States. The powers of the board over bank credits and currency should be exercised by men in sympathy with the effort now being made to free the business world from unfair methods of business, monopoly practices, and destructive competition. They should be men not under the domination of, nor in alliance with, those who have been notorious as creators of monopoly in the world of business or in the world of finance.

G. M. HITCHCOCK,
Acting Chairman.

Executive Report 1, Part 2, Sixty-third Congress, Second Session.

NOMINATION OF THOMAS D. JONES.

JULY 15, 1914.—Ordered to be printed in confidence.
JULY 21, 1914.—Injunction of secrecy removed.

Mr. POMERENE, from the Committee on Banking and Currency, submitted the following

VIEWS OF THE MINORITY.

[To accompany the nomination of Thomas D. Jones to be a member of the Federal Reserve Board.]

A careful reading of the hearings in this case, and the report of the majority of the committee, shows that it is:

First and principally an indictment, arraignment, trial, and conviction of the International Harvester Co. as a trust in violation of the Sherman antitrust law. A case to determine this issue is now pending in the Federal courts.

The International Harvester Co. was organized in 1902. Mr. Thomas D. Jones was elected a director of this company in April, 1909. The suit against the company was begun by the Department of Justice in the summer of 1912. Mr. Jones, the evidence shows, bought one share of stock, of the par value of $100, and paid for it in order to qualify as a director at the special request of Mr. Cyrus H. McCormick, a friend of many years standing.

After Mr. Jones became a director in the International Harvester Co. he attended most of the meetings of the directors held in Chicago and several of those held in New York City. He approved and acquiesced in such matters as were brought before the board. There is nothing in the record to show that anything which was acted upon at these meetings was in violation of any law, statutory or common, Federal or State, by any direct evidence or by any circumstantial evidence, unless it be the mere fact that the corporation continued to exist and do business. If any of the acts of the board of directors during the time that Mr. Jones was a member thereof violated any law of the land we respectfully invite our brethren who have joined in the majority report to point out specifically what those acts were.

Secondly, the report is an indictment, arraignment, trial, and conviction of the New Jersey Zinc Co. as a trust in violation of the Sherman antitrust law, against which company, so far as the record shows, and so far as we have any information, no complaint has been made either in any State or Federal court attacking the legality of its organization or any of its acts.

Mr. Jones is a large stockholder in this company and a director, and presumably has taken an active part in its management and development, as well as in some of the subsidiary companies owned and controlled by it.

It is very prosperous and has proven to be an unusually profitable investment. The New Jersey Zinc Co. and its subsidiary companies manufacture and sell about 85 per cent of the oxide of zinc, 3 per cent of the sulphuric acid, and 20 per cent of the spelter of our domestic trade. The oxide of zinc is a base for paint, and sells in competition with lead in the ratio of 1 of zinc to 3 or 4 of lead. It also produces about 25 per cent of the entire output of zinc ore in this country. The New Jersey mine, known as the Mine Hill, because of the peculiar quality of its ore, is a natural monopoly. It is the only known deposit of zinc ore entirely suitable for paint. We assume that it has never been disputed that a man is entitled to all that he grows on his land or all that he produces from his mine. The ore from the other mines is not merchantable as a base for paint, except as it is used in conjunction with the ore taken from the Mine Hill. How long the supply of the Mine Hill ore will last is only conjectural.

While the profits of this company have been very large, it is significant that no action has been begun against the company or its subsidiaries so far as this committee knows for any violation of any law, Federal or State. If there is in the record any evidence showing such violation, the majority of the committee has failed to point it out.

Third. We submit that the report shows no violation of any law by Mr. Jones, either personally or as a director, unless it be inferentially from the fact that he was a director and participated in such business of the International Harvester Co. as came before its board of directors and because of his interest and connection with the business and management of the New Jersey Zinc Co.

We hold no brief for the International Harvester Co. We are here neither to condemn nor to defend the organization, operation, or business methods of either the International Harvester Co. or of the New Jersey Zinc Co. If they, or either of them or their officers, have violated the law, we offer no palliation for the offense. We submit that there is nothing in the record showing that Mr. Jones in either company violated any law. There remains therefore but two questions to consider:

First. His qualifications.

Second. The expediency of his nomination.

As bearing upon these questions we refer to the following facts taken from the record:

On page 5 of the hearing Mr. Jones says:

> I had the time to give it (the International Harvester Co.), and the relations of corporations to their employees and to the public is an interesting question, and I was willing to give the time and I had the time to give, and I met the request of my friends for those reasons, and at the same time I recognized that it was a work that was worth giving some time and attention to, and I did give such time and attention as the work seemed to require.

Again, on page 5 of the record, Mr. Jones says:

> The relation of the company to its employees has had a good deal of attention by the board of the International Harvester Co. in the way of profit sharing and schemes of that sort, which are occupying the attention of the directors of a great many corporations at the present time, which are not yet satisfactorily solved, but they will be later.

This reference to this principle is not made in a boastful way, but very modestly, and we believe it was the controlling factor in determining him to become a member of the board of directors of the International Harvester Co.

Again, on page 38 of the record, the following questions were asked and the answers given:

Senator POMERENE. When you expressed your approval of the transactions and business methods of the International Harvester Co. since your connection with it, did you have in mind and give your approval in that statement to the original organization of the company?

Mr. JONES. I did not, sir.

Senator POMERENE. Or any of the transactions of that company between the date of its organization and the time when you became a directing force in the company?

Mr. JONES. I limited my statement, or meant to do so, strictly to the transactions of the company after I had become a director.

Senator POMERENE. The purpose of my question was to make that perfectly clear.

Mr. JONES. I want to make that clear.

On page 49 of the record the following question was asked and answered:

Senator HOLLIS. Now, if you had believed that these other officials with whom you associated yourself were lawbreakers and were acting in violation of the Sherman antitrust law, would you have become a director?

Mr. JONES. No, sir; I would not if I thought so at the time.

On page 69 of the record the following questions were asked and answers given:

Senator CRAWFORD. Are you in sympathy with the general policy of these big consolidations, with the power that may be, in the abstract, dangerous, depending entirely on whether the men who are it are good men or bad men?

Mr. JONES. No, sir; I am not in sympathy with them.

Senator CRAWFORD. You really do not believe in it?

Mr. JONES. I do not, frankly. I am giving my personal impressions now, and not those of any corporations I may be connected with. I think industrially most of them are failures, and the difficulty is that they reduce the individual to a mere unit.

So far as we know, no man has said aught against his character or his preeminent ability to fill the position with satisfaction to his country and with credit to himself. The President, who named him for the place, wrote to the chairman of the Banking and Currency Committee, under date of June 18, as follows:

THE WHITE HOUSE,
Washington, D. C., June 18, 1914.

DEAR SENATOR: I am afraid that Mr. Thomas D. Jones is the man about whom the committee will have the least information, and I venture to write you this letter to tell you what I know, and fortunately I can say that I really do know it.

I have been associated with Mr. Jones in various ways for more than 15 years, and have seen him tried by fire in causes which were like the very causes we are fighting for now. He has always stood for the rights of the people against the rights of privilege, and he has won a place of esteem and confidence by his quiet power and unquestionable integrity in the city of Chicago which is very enviable indeed.

His connection with the harvester company is this: He owns one share, and only one share, of stock in the company, which he purchased to qualify as a director. He went into the board of the harvester company for the purpose of assisting to withdraw it from the control which had led it into the acts and practices which have brought it under the criticism of the law officers of the Government, and has been very effective in that capacity. His connection with it was a public service, not a private interest, and he has won additional credit and admiration for his courage in that matter.

He is a lawyer by profession, but he has devoted his attention to special aspects of the law and has been very little in the courts, I believe. My close association with him was in the board of trustees of Princeton University, where he stood by me with

wonderful address and courage in trying to bring the university to true standard of democracy by which it would serve not special classes, but the general body of our youth. He graduated from Princeton University in 1876. He is of Welsh extraction, possibly of Welsh birth, though I am not certain on that point, and is a man whom I can absolutely guarantee in every respect to the committee. He is the one man of the whole number who was in a peculiar sense my personal choice.

Cordially and sincerely, yours,

WOODROW WILSON.

No higher testimonial could be given than this letter from the President of the United States, who has known him so long and so intimately, stands sponsor for him, and who is so much interested in the success of the new banking system. All who know Mr. Jones personally, so far as we have been advised, concur in the wisdom of his choice.

Because of the pendency of the suit against the International Harvester Co., in which Mr. Jones is a party defendant, men may honestly differ as to the wisdom of the appointment from the standpoint of expediency, but no one, in our judgment, can fairly doubt his qualifications. We submit that all questions of expediency should give way to his preeminent fitness, as testified to by those who know him best.

We therefore recommend that the Senate do advise and consent to his confirmation.

ATLEE POMERENE.
HENRY F. HOLLIS.
JOHN F. SHAFROTH.
BLAIR LEE.

MR. LEE'S VIEWS.

Mr. Lee of Maryland submitted the following:

As a member of the minority of the Committee on Banking and Currency, I recommend that the Senate advise and consent to the appointment of Mr. Thomas D. Jones to be a member of the Federal Reserve Board, and state as follows:

REPORT.

Mr. Jones, being invited by the committee, appeared before it.

There was much to commend in the manner of the witness. He was perfectly frank, and made the impression of a modest man of courage, convictions, and ability.

The rules of the Senate have operated to prejudice the case of Mr. Jones, for the members of the committee who support him have respected the rules and gave nothing out for publication, while others, in disregard of the rules, have published incomplete statements and unfair arguments against him.

The New York Times of July 18, says editorially:

> The condemnatory report is published, although it is a part of the confidential proceedings of the Senate, and although it is unfair that the conviction should be published without the defense. The text of the report shows it to be a partisan document, more anxious to make a case against the convict than to present a judicial examination of his qualifications.

CORRECTION NOT WAR ON AMERICAN INDUSTRY.

That the majority of the committee are bent on extreme measures, that their attitude is a dangerous one toward both the peace and industry of the country, is evident from their criticism of this nominee.

A choice is afforded the Senate in this case between an appeal to prejudice and hostile feeling and the wise and kindly purpose of the President, who has nominated for the reserve board in Mr. Thomas D. Jones a man he has known closely for many years and certifies to us as one of democratic convictions. In a letter to the committee the President recently said of Mr. Jones:

> I have been associated with Mr. Jones in various ways for more than 15 years and have seen him tried by fire in causes which were like the very causes we are fighting for now. He has always stood for the rights of the people against the rights of privilege, and he has won a place of esteem and confidence by his quiet power and unquestionable integrity in the city of Chicago, which is very enviable indeed.
>
> His connection with the harvester company is this: He owns one share, and only one share, of stock in the company, which he purchased to qualify as a director. He went into the board of the harvester company for the purpose of assisting to withdraw it from the control which had led it into the acts and practices which have brought it under the criticism of the law officers of the Government, and has been very effective in that capacity. His connection with these acts and practices is absolutely nil. His connection with it was a public service, not a private interest, and he has won additional credit and admiration for his courage in that matter.
>
> He is a lawyer by profession, but he has devoted his attention to special aspects of the law, and has been very little in the courts, I believe. My close association

with him was in the board of trustees of Princeton University, where he stood by me with wonderful address and courage in trying to bring the university to true standards of democracy, by which it would serve not special classes, but the general body of our youth. He graduated from Princeton University in 1876. He is of Welsh extraction, possibly of Welsh birth, though I am not certain on that point, and is a man whom I can absolutely guarantee in every respect to the committee. He is the one man of the whole number who was in a peculiar sense my personal choice.

Question of practical democracy arose in the management of Princeton University, upon which these two thought alike and acted together. In carrying out his very large purpose of bringing about industrial reform in this country and maintaining peace and prosperity at the same time the President selected Mr. Jones for the Reserve Bank Board because he has confidence in him as a man and a Democrat, one well tested in a tense collegiate struggle, where the devotion to principle, which marked Woodrow Wilson for governor of New Jersey and President of the United States, naturally indicated Thomas D. Jones for a prominent place in the President's national reforms. Confidence based upon character is what of all things the country most needs just now. Mutual confidence on the part of the public, as expressed by the President, and on the part of business seems to be reposed in Mr. Jones.

The McCormick family, whose father invented the reaper, and who have continued for two generations in the business of making reapers and mowers, had confidence in him, and when they got into difficulties, probably both as to internal management and external attack on the monopolistic features of their organization, they called on him for help.

A MONOPOLY CORRECTED.

Mr. Jones testifies that no matter what power the harvester company, as organized, may have originally possessed, that power has not been used in any way contrary to law or public interest since he became a director in the concern (p. 40). He also testifies that competition with the harvester company has grown each year and is to-day vigorous (p. 39), and that no plant in competition has been purchased by the harvester company since he became a director (p. 27). Mr. Jones refused to approve of the method of organizing the harvester company (p. 35).

This nominee further says (p. 49) that he would not have accepted a place on the board of the harvester company if he had believed that it was then violating the Sherman antitrust law.

With reference to continuing offenses or such acts of an objectionable nature as might be claimed to have been committed since the election of Mr. Jones to the board of directors, the following question was asked (p. 4) by Senator Hitchcock:

A part of the complaint [in the Federal suit] as it was read to the committee was with regard to continuing acts of the corporations down to very recent years, down to the filing of the suit in 1912. Have you any acquaintance with those acts complained of?

And answered by Mr. Jones:

No, sir; and my reading of the record was that, although there is such a general allegation, there is absolutely no proof of it. The charges were made as of continuing acts; but I read the briefs of counsel of the various sides, and the case finally turned almost entirely on the method of the original organization of the company as being an attempt to create a monopoly in restraint of trade.

The statement of the latter—that there was only general allegation and absolutely no proof of continuing offenses—has not been met in testimony before the committee and is apparently conceded.

Although submitted, no opinion has yet been rendered in the Federal suit of 1912. There is in hand a decision by the Supreme Court of Missouri (pp. 114 to 122), rendered in 1911, in a proceeding instituted in 1907, two years before Mr. Jones became a member of the board, and in this case the constitutionality of the Missouri antitrust statute was sustained by the Supreme Court of the United States in a recent decision (pp. 125 to 131).

MONOPOLY AS ORGANIZED, BUT NO DEFINITE ABUSE OF POWER.

The finding of the Missouri court tends to confirm the testimony of Mr. Jones above, the court saying (record, pp. 117, 118):

> The evidence also shows that the price of harvester machines was not materially higher after the New Jersey corporation entered the field than it was before until 1908, when it was increased 8 or 10 per cent, whilst in the meantime there had been a greater increase in the price of the material and labor used in their construction. The evidence also shows that whilst harvesting machines were the chief products of the companies absorbed by the International Harvester Co., that company has greatly enlarged its business and extended it to many other farm implements, and has thus put itself in competition with the many concerns that theretofore were and still are engaged in manufacturing such other farm implements, and the farmers generally have profited thereby. The evidence also shows that the machines manufactured by the International Co. have been greatly improved in quality, and the item of repair material has been reduced in price and placed within closer reach of the farmer. On the whole the evidence shows that the International Harvester Co. has not used its power to oppress or injure the farmers, who are its customers.

In the Missouri case all of the company's records were freely submitted and fully examined, but the Supreme Court of the United States, in reviewing this case, said the Supreme Court of Missouri "did not find a definite abuse of its powers by the plaintiff in error." (Record, pt. 2, p. 127.)

MISSOURI COURT PERMITS CONTINUANCE IN BUSINESS ON CORRECTED BASIS—SIMILAR TO VIEWS OF WITNESS.

Senator Reed (p. 39) asserted that Mr. Jones's case presents an ethical question, namely, that if a concern is organized in an illegal manner, to become a member of it afterwards is illegal; but the witness answered, denying this (p. 40). Mr. Jones asserted that, even though the organization included illegal power, yet there was no use made of the illegal power after he became a member, and he, therefore, was not a party to any unlawful act.

Not only do the foregoing quotations from the Missouri decision sustain the witness as to the conduct of the concern after he became a member of its board, but the judgment of the Supreme Court of Missouri in permitting the company to continue in business on certain definite terms, which terms are practically analogous to the position of this witness, completely overthrows and answers the ethical suggestion of Senator Reed. The court permitted the company (p. 121, record, pt. 2) to continue to do business in Missouri on the following general basis:

> If the International Harvester Co. is to be permitted to continue to do business in this State, either in its own name or through the agency of respondent, it must be on condition that it shall not use its power either to force a competitor to sell or

drive it out of the market by unfair methods, and that it will not raise the prices of the articles it sells beyond a fair profit on their cost and the expense of marketing the same.

RESTRAINS A MONOPOLY FROM THE INSIDE.

No defense of the harvester company is necessary or attempted in this report. Every act of Mr. Jones in connection with that company seems to have been entirely proper and to have been part of a general business experience, well qualifying him to protect the public interest as a member of the Federal Reserve Board. He expressly states that he is not in sympathy with these big consolidations (p. 64) and that he is in thorough accord with President Wilson's policy in destroying monopoly (p. 65).

Apparently Mr. Jones and others with him have restrained a monopoly from the inside, which should commend him rather than subject him to a sort of attainder of blood, which the majority of the committee implies he took by official descent. Here seems to be a blind and passionate confusion of good with evil which can not be accepted without disastrous public consequences. A citizen who has no financial interest in the concern becomes a director from motives of personal friendship and public interest (p. 35). He and others with him prevent the concern, which was organized as a monopoly, and has the bad name of a monopoly, from continuing to act unlawfully and as a monopoly. He certainly is not to be condemned for this.

The intelligent patriotism which manifested itself in the affairs of Princeton University should be utilized in the further service of Democratic reform. It is natural that the political party under whose administration the trusts were formed should oppose this nominee. That party's leaders do not wish the Democratic Party and President Wilson to succeed. They seem to pray for failure or panic to prevent all such reform. The Senate and the country may well rely upon the President's judgment of his comrade in arms.

MISLEADING STATEMENT OF MAJORITY AS TO ORGANIZATION OF FOREIGN CORPORATION.

The majority report says:

> Fourteenth. About the time the United States action was brought the trust divorced its foreign business from that in the United States by creating a separate concern, known as the International Harvester Corporation, and diverted about half of its great capital of that corporation, so that it might be beyond the reach of the United States in case the Government wins the action now pending. Mr. Jones participated in this act of invasion, as he did in earlier acts of defiance.

This statement is clearly in error, as the diversion did not take place until after the Government suit was filed and could not affect that suit.

But what are the undisputed facts according to the record of the manner in which this division of business was made?

The company had a large business abroad, with factories adapted to the peculiar needs of those countries. The actual investments abroad and in the new lines represented about one-half of the capital of the company at that time (pp. 21, 32). The business as conducted abroad was never claimed to be monopolistic, but, on the contrary, was highly competitive (pp. 22, 27, 37, 38).

Before the organization of the foreign company in 1913, the facts were frankly presented to the Department of Justice, which, while not conceding anything or releasing the power of the Federal court as it had attached, raised no objection to the expressed plans of the company to sever the ownership of its foreign property from that retained by the old company in the organization of this new company (pp. 17, 19, 20, 23, 30).

We submit that the statement of the majority, indicating as it does wrongdoing on the part of Mr. Jones in this connection, is most unfair and in keeping with the whole tenor of the majority report.

DIVIDENDS WITHHELD, SURPLUS ACCUMULATED.

The insinuation of wrongdoing on the part of Mr. Jones in participating in the issuance of a stock dividend based upon actual earnings of the company, as set forth in paragraph 8 of the majority report, is likewise unjust.

There is no dispute about the properties turned into the original incorporation in 1902 being equal in value to the capital stock of $120,000,000.

The assets had so increased December 31, 1907, according to the report of the commissioner in the Missouri case (p. 103), adopted by the Supreme Court of Missouri (p. 116), that they were then valued at $156,282,654.16.

The criticism is based upon an increase of the capital stock by $20,000,000 in 1910 by way of a stock dividend to the holders of common stock.

On the subject of this dividend, Mr. Jones, in his supplemental statement, after tabulating the earnings and dividends, says:

> In June, 1910, a stock dividend of $20,000,000 was declared on the common stock on which no dividends had been paid since 1906, and prior to that time the total dividends had averaged less than 4 per cent. This stock dividend gave the stockholders nothing except more shares, representing the same amount of property in which the undistributive earnings had been invested. Including stock dividends, the average dividend on the total capital stock was only 5.90 per cent per annum.

NEW JERSEY ZINC CO.

The majority report is most unfortunate and misleading as to facts under this head.

PLAIN ERRORS AND OMISSIONS IN MAJORITY REPORT.

This report states (p. 4):

> The company (New Jersey Zinc Co.) owns practically all the known zinc ore in the United States.

There was no such testimony before the committee.

> From the best information available I feel warranted in stating positively that the total zinc contents of all ores derived from mines owned by the New Jersey Zinc Co., or in which it has any interest, through its subsidiaries or otherwise, amount to somewhat less than 25 per cent of the zinc contents of all zinc ores mined in the United States. (Mr. Jones's letter, p. 4.)

This is confirmed by the United States Geological Survey. The majority of the committee could easily have ascertained the facts by inquiry of anyone informed as to the zinc industries or of the Geological Survey.

On page 5 the report says that the New Jersey Zinc Co.'s control of the market on oxide of zinc is so complete that the paint mixers of the country, with the exception of one large firm, are at its mercy. Mr. Jones, when before the committee, stated (p. 60) that the Mine Hill mine of the New Jersey Zinc Co. is the only mine of its kind in the world, but is being rapidly exhausted. This company, only because it owns this mine, is making 85 per cent of the oxide of zinc produced in the United States, but it is used in combination with white lead in paints (p. 58), and is also keenly competitive with white lead (p. 57). White lead has a controlling influence upon the price of oxide of zinc, and there are three or four times as much white lead used (pp. 66–67). On this subject Mr. Jones said:

> They are the real competitors, and they are very vigorous competitors.
>
> When you say that we have 85 per cent of the oxide of zinc trade, that is misleading, because the real competitor of zinc is white lead, and every movement in either one of these products affects the other, and there is a very keen and lively competition, and always has been, between white lead and zinc. * * * I should say there is probably three or four times as much white lead as there is oxide of zinc (p. 67).
>
> In addition, there is competition with French zinc, which, though 2 cents a pound more, is a heavier pigment and goes further (p. 60).

The attitude of Mr. Jones toward large combinations, his sympathy with the President's policy in destroying monopoly, and the fact that the public usefulness of the New Jersey mine was increased by adding other mines to it are shown by the following parts of his testimony (pp. 56 and 65):

> Senator CRAWFORD. Are you in sympathy with the general policy of these big consolidations, with the power that may be, in the abstract, dangerous, depending entirely on whether the men who are using it are good men or bad men?
>
> Mr. JONES. No, sir; I am not in sympathy with them.
>
> Senator CRAWFORD. You really do not believe in it?
>
> Mr. JONES. I do not, frankly. I am giving my personal impressions now, and not those of any corporations I may be connected with. I think industrially most of them are failures, and the difficulty is that they reduce the individual to a mere unit.
>
> Senator CRAWFORD. Your idea is that if one of them is organized it may be dangerous or it may be kept within bounds by the right kind of a board of directors; that you could accept a position on the board of directors for the purpose of keeping it within bounds, although there was a dangerous power vested it?
>
> Mr. JONES. I think they can be kept within reasonable bounds perfectly well, and I think many of them are.
>
> Senator HITCHCOCK. You think this is not a combination in restraint of trade or in control of trade—the New Jersey Zinc Co.?
>
> Mr. JONES. I do not.
>
> Senator HITCHCOCK. It has 85 per cent, you say, of the zinc trade of the country?
>
> Mr. JONES. Of the oxide of zinc.
>
> Senator HITCHCOCK. Of the oxide of zinc, I mean; yes.
>
> Mr. JONES. About that.
>
> Senator HITCHCOCK. Well, is there any other concern that controls a larger per cent of the products it manufactures?
>
> Mr. JONES. Not oxide of zinc.
>
> Senator HITCHCOCK. No; I mean of any other industry. Is there any other company that comes any nearer to monopolizing a certain product?
>
> Mr. JONES. No, sir. As I said, so long as oxide of zinc continues to be made out of the New Jersey mine ores the trade demands it and will not have anything else. It makes a grade of oxide zinc that can not be made out of any other known ores in this country. I will say, frankly, that that mine is the whole business. There is no artificial combination of units to eliminate competition. That has not been attempted at all and has not been accomplished, but that mine continues a natural monopoly.

Senator HITCHCOCK. Suppose your company and these others had not been united with the New Jersey corporation; would there be some competition between them?

Mr. JONES. Well, as I told you before, we were up against it, because we could not get ores that would make a product that would meet all the needs of our customers; and it was in order to get a product that would meet the needs of our customers that we were willing—we had not any desire, but were willing—to sell our properties to the New Jersey Co. for stock in that company; and ever since then, as I told you, we have mixed the two and made a good product out of the mixture. I believe it has been industrially a great advantage to our customers, and my own judgment is that our customers have been fairly treated, and, as you have seen, there has been no combination in restraint of trade.

Senator HITCHCOCK. One of the purposes in creating the new banking and currency system is to decentralize the banking power in the United States?

Mr. JONES. Yes, sir.

Senator HITCHCOCK. Which has been used to create monopolies. And I suppose that thought has been in the minds of some when the question arose as to your connection with two concerns which seem to have for their purpose a creating of great combinations, and the committee was curious to know whether your views were in harmony with the opinion of the country, which is strongly opposed to anything tending to centralize or monopolize business?

Mr. JONES. I have not the slightest hesitation in answering any questions along that line that may be asked, as to what my views may be as to general policy. I am thoroughly in accord with what I believe to be President Wilson's policy in destroying monopoly.

Senator HITCHCOCK. How would you go to work in destroying the zinc monopoly?

Mr. JONES. I do not believe it is destructive, because I do not believe it is a monopoly in that sense.

Senator CRAWFORD. That is a case where the supply has been limited by nature and is now limited by artificial combinations?

Mr. JONES. Exactly.

Senator HITCHCOCK. Yes; it looks that way.

Senator SHAFROTH. There is no law requiring a man who owns a mine, if there is no other mine of the kind in the world, to divide it up so as to permit of competition?

Senator CRAWFORD. By destroying the combination you could not increase the output from that mine.

* * * * * * *

Senator LEE. Senator Crawford has just called your attention to the fact that nothing could be done to increase the product of that New Jersey mine, and yet the combination that you have made really increased the applicability and public usefulness of the product of that mine, did it not?

Mr. JONES. Oh, yes; it has made the output a great deal more, although, of course, that hastens the exhaustion.

BLAIR LEE.

Senate Executive Document, Sixty-third Congress Second Session.

NOMINATION OF THOMAS D. JONES.

JULY 21, 1914.—Injunction of secrecy removed and ordered to be printed.

Mr. REED, from the Committee on Banking and Currency, submitted the following

LETTER FROM THOMAS D. JONES TO SENATOR GILBERT M. HITCHCOCK, ACTING CHAIRMAN OF THE COMMITTEE ON BANKING AND CURRENCY, SUBMITTING CERTAIN COMMENTS UPON THE ADVERSE REPORT OF THE COMMITTEE WITH REFERENCE TO HIS NOMINATION TO BE A MEMBER OF THE FEDERAL RESERVE BOARD.

CHICAGO, *July 18, 1914.*

Hon. G. M. HITCHCOCK,
Acting Chairman Banking and Currency Committee,
United States Senate.

SIR: I am in receipt to-day of a copy of the report of the majority of your committee upon my nomination as a member of the Federal Reserve Board, and I have received part 2 of the hearings before the committee, said part 2 comprising documentary evidence submitted to the committee after I appeared before it.

I infer from the discussion in the committee reported in the hearings that these documents are sent to me with intimation that I am at liberty to make such comments thereupon as I may deem advisable, and I wish to take advantage of this privilege. As these documents have reached me only on a Saturday, and I am advised that my comments should be mailed by Monday noon, my comments must be both hasty and fragmentary.

I was invited to appear before your committee to be examined concerning my "relations with certain business enterprises." Those enterprises turned out to be the International Harvester Co., and the New Jersey Zinc Co. and some of its subsidiaries.

INTERNATIONAL HARVESTER CO.

I stated to your committee that my relations with the International Harvester Co. began in 1909, and that before that time I had had no relations of any kind, direct or indirect, with it, and had had no business relations whatever with any of its officers or directors. Any

just criticism based upon my being a director of the International Harvester Co. must rest either upon the fact of my accepting a directorship in that company in 1909, or upon acts of the company or of its board of directors subsequent to that date.

As to my acceptance of the position of director, it must be judged by the conditions and situation at the date of the act. The company had then been in existence and doing business for more than six years. The facts connected with its organization and its methods of doing business were open to the public and well known. The Government of the United States had taken no action against the company. There had been some suits against the company under State statutes, but, as I am advised and then believed and now believe, any judgments therein against the company were based wholly upon facts connected with its organization and not upon any of its business methods. I then believed and I still believe that at the date of my acceptance of the position of director the corporation was a law-abiding corporation, and that its business methods were productive of benefit and not of harm, and in that belief I accepted the position of director.

As to the other branch, namely, the acts of the company and its board of directors since I became a director, so far as I have known, they have been neither oppressive nor illegal in any particular. I believe that the record will bear me out in the statement which I now make, that not one single act of the company during that period was instanced in my hearing before the committee as constituting a violation of law.

There was put into the record after my hearing before the committee what appears to be practically the entire record of the suit brought by the State of Missouri against the International Harvester Co. In this case the company submitted freely and fully all its records for examination by the authorities of Missouri, and after the taking of voluminous evidence the court held that by reason of the circumstances attending the organization of the company it was an illegal organization under the antitrust acts of the State of Missouri.

More important, however, in my judgment, than the determination by the court of illegality in the formation of the company is the fact that the charges of unfair dealing by the company toward the farmers, which had been vigorously charged by the State and concerning which a large amount of evidence was taken, were emphatically denied by the court. Upon this point the court said:

> The evidence also shows that the price of harvester machines was not materially higher after the New Jersey corporation entered the field than it was before, until 1908, when it was increased 8 or 10 per cent, whilst in the meantime there had been a greater increase in the price of the material and labor used in their construction. The evidence also shows that whilst harvesting machines were the chief products of the companies absorbed by the International Harvester Co., that company has greatly enlarged its business and extended it to many other farm implements, and has thus put itself in competition with the many concerns that theretofore were and still are engaged in manufacturing such other farm implements and the farmers generally have profited thereby. The evidence also shows that the machines manufactured by the International Harvester Co. have been greatly improved in quality, and the item of repair material has been reduced in price and placed within closer reach of the farmer. On the whole the evidence shows that the International Harvester Co. has not used its power to oppress or injure the farmers, who are its customers. (Hearings, pt. 2, pp. 117, 118.)

Reference was made during my hearing to the suit brought in 1912 by the Federal Government in the Minnesota district for dissolution of the International Harvester Co. A very large amount of testimony was taken in that suit and the suit has been fully argued before the court and has been submitted to it, and is now held under advisement by the court. What the outcome of that suit may be can only be surmised.

I had expected to find in the record of the hearings before the committee a copy of a letter reported in the newspapers of June 24 and 25 to have been written by Mr. Edwin P. Grosvenor, who had charge under the Attorney General of that suit from beginning to end. I am disappointed to find that the letter nowhere appears in the hearing, although it was stated in the papers that it had been presented to your committee. I can, therefore, only refer to the substance of that letter as stated in the newspapers and which it will be understood I state under correction. In that letter Mr. Grosvenor is reported to have stated that the record in the Federal suit above referred to contains nothing to indicate that I had had any connection with any practices which the Government contends were illegal. In the absence of the final judgment of the court this is as conclusive a statement of the facts shown by that record as the circumstances permit.

As to the fourteenth charge in the majority report, I wish to say that my own memory was at fault when I appeared before the committee as to the date when the International Harvester Corporation was organized. It was then my recollection that it was organized just previously to the institution of the suit against the company by the Federal Government which is now pending. Upon refreshing my recollection, I find that the suit by the Government was begun April 30, 1912, while the International Harvester Corporation was not organized until January 27, 1913. The organization of that company and the sale of certain of the assets of the old company to the new were, therefore, done pendente lite; and could not, therefore, in the least affect any judgment that might be rendered in that suit. This charge in the majority report is utterly baseless.

THE NEW JERSEY ZINC CO. AND ITS SUBSIDIARIES.

This company is stigmatized in the majority report as "the Zinc Trust," and in support of that charge it is alleged (1) that it owns "practically all the known zinc ore in the United States"; and it is charged that it has a monopoly of the manufacture and sale of oxide of zinc; and (2) that its capital stock ($10,000,000) is "inflated" and that it is making "an unconscionable profit" upon its inflated capitalization.

(1) As to the alleged monopoly of raw material: The statement that the New Jersey Zinc Co. "owns practically all the known zinc ore in the United States" is made without one particle of evidence in the record to support it. Moreover, everybody who knows the beggarly rudiments of the zinc industry knows that the statement is not simply false—it is ridiculously false. Perfectly accurate, reliable data regarding the tonnage of zinc ores mined is not readily obtainable, but the census reports of manufactured product afford a sufficiently accurate basis for calculation as to ores produced. From the best

information available, I feel warranted in stating positively that the total zinc contents of all ores derived from mines owned by the New Jersey Zinc Co., or in which it has any interest, through its subsidiaries or otherwise, amount to somewhat less than 25 per cent of the zinc contents of all zinc ores mined in the United States.

The majority report further says that "prior to 1897 Mr. Jones and his brother owned the Wisconsin mines." Neither my brother nor I nor the Mineral Point Zinc Co. owned in 1897 or at any time prior thereto any zinc mines in Wisconsin. My testimony shows that in 1897 when we sold our stock in the Mineral Point Zinc Co. to the New Jersey Zinc Co. we owned one undeveloped mine in New Mexico, and that was all the mining property that we did own.

So much for the monopoly of raw material.

As to the alleged monopoly of the manufacture and sale of oxide of zinc: My testimony shows that the New Jersey Zinc Co. produces a largely preponderant share of the oxide of zinc manufactured in this country, but it also shows that this preponderance results entirely from the ownership of one mine which produces ore suited to the manufacture of oxide of zinc as no other known ores are suited, and that until that mine is exhausted, or until radical discoveries are made in processes of manufacture, the owners of that mine must hold a preponderant share of the business of oxide of zinc.

Of the other two main products manufactured by this company, namely, spelter and sulphuric acid, the New Jersey Zinc Co. and its subsidiaries produce a little less than 20 per cent of the total output of spelter in this country, and produce between 3 and 4 per cent of the sulphuric acid manufactured in this country.

(2) As to the alleged inflation of the capital stock of the New Jersey Zinc Co. and the making of "unconscionable profits," I would say that I testified that the capital assets of that company are equal to its capital stock, and that there is therefore no kind or degree of inflation of any sort, and there is no testimony whatever to the contrary. As to the alleged "unconscionable profits," I wish further to say that the majority report entirely ignores the statement which I made as to the nature of the business of the company. I stated that the company is largely, though not exclusively, a mining company. Every ton that is taken from the company's principal mine results so far in the exhaustion of its capital assets. Its earnings are, therefore, in the nature of a distribution of its capital assets and not simply earnings in the ordinary sense of that term. The larger its production the more rapidly does the exhaustion of its assets proceed.

This distinction between the earnings of an ordinary manufacturing or trading corporation and the earnings of a mining corporation is fully recognized in law, and is not wholly foreign to common sense. Before a judgment can be formed that is even approximately just as to whether the earnings of a mining corporation are unconscionable or not, many elements have to be considered that were not even touched upon during my examination. In the particular case under consideration the ores produced from the principal mine of the New Jersey Zinc Co. are very complex, and require a very expensive plant for the treatment of the ores before they are ready for manufacture. This plant is necessarily situated at the mine, and when the mine is exhausted that expensive plant will be almost pure scrap. A very expensive reduction plant has been erected by the company at Palmerton, designed especially for the reduction of the kind of ores that

are produced at this mine. What value this plant will have after the exhaustion of that mine is a matter of pure conjecture. Before any profits derived from the business of the company can fairly be pronounced to be unconscionable, it must be taken into consideration that not only the value of the mine itself, but the cost both of its plant for ore treatment and its principal plant for reduction ought to be met out of its earnings while the mine lasts, together with a fair return on the investment in the meantime. These various elements would require a complicated calculation, which I myself am not fully capable of making, and, with all due respect to the Committee on Banking and Currency, I may say that I think it is wholly beyond the capacity of that committee to make such calculation.

When the invitation of the committee was extended to me to appear before it, I was given to understand that I was expected only to give information concerning my own "relations with certain business enterprises." No reasonable interpretation of that language could have warned me that I was expected to come prepared to make a complete and detailed statement with regard to the entire business of the corporations with which I was connected. I had no intimation whatever of the scope of the inquiry. I had no reason to anticipate that the committee proposed to exercise what is essentially a judicial function, namely, to inquire and to determine whether any particular organization is a trust in the sense of being an organization under the ban of the law. Numerous questions were presented to me which even an active executive officer of the corporations in question could not have answered without reference to the records of the corporations. I have never been an officer of the New Jersey Zinc Co. Under the circumstances I might well have asked the committee to excuse me from answering many if not most of the questions asked; but I chose rather to answer every question as best I could, relying upon the confident belief that the sole object of the inquiry was to ascertain my relation to those corporations, and not to pass judgment upon them. The result is known far and wide. In an inquiry ostensibly intended simply to determine my fitness for public office a corporation in which I was a director has been branded as a "trust" and its earnings stigmatized as "unconscionable," and these charges were spread broadcast through the public press under the great authority of the Committee on Banking and Currency of the Senate of the United States. And this, too, occurred in the case of a corporation which in its present form had been carrying on its business for 17 years, and against which not a single accusation has ever been made in any tribunal, either Federal or State, that its organization is illegal or that its practices are oppressive or extortionate. I submit to your honorable committee that such procedure is grossly unfair.

I append hereto a list of certain corrections which I ask your committee to put into the record in connection with my testimony. The time at my disposal has been insufficient to enable me to note more than corrections that I deem of importance. Some of these corrections are clearly clerical, but others result from defective memory on my part or from obvious misunderstanding of questions asked. This list of corrections, especially relating to the New Jersey Zinc Co. and its subsidiaries, is still distinctly incomplete.

Respectfully submitted.

THOMAS D. JONES.

MEMORANDUM OF CORRECTIONS IN RECORD OF THE EXAMINATION OF THOMAS D. JONES.

[References are to the Congressional Record of July 15, 1914.]

I. Concerning International Harvester Co.:

(1) In column 1, page 13231, my answer "that the company carries a certain amount of stock which it issues to its *stockholders* by way of bonus" should read "which it issues to its *employees* by way of bonus."

(2) In column 1, page 13232, the statement in regard to the secretary of the company should be: "Harold F. McCormick was acting secretary from 1909 up to 1914, when G. A. Ranney was chosen secretary and is now the secretary of the company."

(3) In column 1, page 13232, the statement that "common stock" of the company was issued to employees should be corrected so as to include "preferred" as well as common stock.

(4) In column 1, page 13233, the statement concerning plows should be amended by adding that the company does not manufacture or sell plows in the United States, but the International Harvester Co. of Canada (Ltd.), the owner of the Canadian plant, jobs plows in Canada but does not make them.

(5) In column 1, page 13233, to the list of European plants should be added the plant of the company at Neuss, Germany.

(6) All statements relating to the formation of the new corporation now owning the foreign plants and the New Line plants in the United States should be corrected so as to conform to the following statements:

In January, 1913, the International Harvester Co. had a capital stock of $140,000,000, $60,000,000 preferred and $80,000,000 common. The new corporation, "International Harvester Corporation," was organized on January 27, 1913, under the laws of New Jersey, with a capital of $70,000,000, $30,000,000 preferred and $40,000,000 common. This was *after* the bringing of the Government suit, which was filed on April 30, 1912. As it was expected that the pending Government suit might not be ended for a considerable time and might go to the Supreme Court for final settlement, it was deemed necessary to organize the new corporation to protect, as far as possible, its foreign trade, which was not under attack, and its credit for foreign borrowings, which were very large. The new corporation bought the foreign plants and business of the original company and also its domestic plants making the New Lines, and paid for the same by delivering to the old company its entire capital stock. The old company thereupon reduced its capital stock one-half and, in exchange for the stock retired by said reduction, issued to its stockholders the stock of the new corporation share for share of the same kind of stock, so that each stockholder, after the transaction was completed, had the same number and kind of shares of stock that he had before the formation of the new corporation, representing the same interest and ownership in the same properties as before the exchange.

The new corporation and the transfer of the properties to it were made with the full knowledge of the Attorney General of the United States, the entire plan being submitted in writing to him and being made pendente lite had no effect whatever upon the Government suit.

(7) The statement in regard to the dividends paid and net earnings of the International Harvester Co. should be corrected to conform to the following table which is compiled from the published annual reports of the company, and is in some respects at variance with my recollection as contained in my statement before the committee. There is, however, no question as to its accuracy, and the figures without the per cents are contained in the petition in the Government suit, except for the years 1911 and 1912:

Year.	Net earnings.	Percentage of net earnings to capital stock and surplus.	Dividends.	Rate of dividends on capital stock.	Remarks.
				Per cent.	
1903	$5,641,181	4.70	$3,600,000	3.00	
1904	5,658,535	4.64	4,800,000	4.00	
1905	7,479,187	6.08	4,800,000	4.00	
1906	7,346,947	5.85	4,800,000	4.00	
1907	8,080,458	6.31	4,200,000	3.50	7 per cent on preferred; nothing on common.
1908	8,885,682	6.73	4,200,000	3.50	
1909	14,892,740	10.89	4,200,000	3.50	
1910	16,084,819	10.91	7,400,000	5.29	7 per cent preferred; 4 per cent common.
1911	15,521,397	9.9o	8,200,000	5.86	7 per cent preferred; 5 per cent common.
1912	16,395,597	10.03	8,200,000	5.86	Do.
Average for 10 years..	10,598,654	7.83	5,440,000	4.25	

In January, 1910, a stock dividend of $20,000,000 was declared on the common stock, on which no dividends had been paid since 1906, and prior to that time the total dividends had averaged less than 4 per cent. This stock dividend gave to the stockholders nothing except more shares representing the same amount of property in which the undistributed earnings had been invested. Including this stock dividend, the average dividend on the total capital was only 5.90 per cent per annum.

The stock of the original company was all of one kind until 1907, when it was divided into preferred and common in equal amounts, and thereafter there was no payment of dividends on the common stock until 1910. In January, 1910, the stock dividend of $20,000,000 was declared out of the surplus which had been accumulated while the company had paid inadequate or no dividends on the common stock.

(8) In column 2, page 13239, the statement as to the annual profits refers to the year 1912, and should be that the gross profit for that year was $16,395,597.16, and after the payment of the 7 per cent dividend on the preferred and 5 per cent on the common, left a balance carried to surplus of $8,195,597.16.

(9) In column 1, page 13240, with reference to the number of local dealers or agents through whom a farmer can deal in buying the company's various brands of harvesting machines, I had and have no personal knowledge, but, as I am advised, I was in error in assenting to Senator Nelson's statement that the company deals with the farmer only through one agent instead of several, as before the company's organization. In fact, the report of the Bureau of Corporations objects to the practice of the selling company in the

United States of dividing among the local dealers its various brands of harvesters instead of giving them all to one dealer (p. 303).

(10) In column 1, page 13240, in relation to Senator Hitchcock's question, my statement that no new capital had gone into the enterprise had reference to what was done subsequent to the organization of the company and had no reference to the capital which went in at the date of the organization of the company. My answer in the record, if considered otherwise, was made under a misapprehension of the question. I had no personal connection with or knowledge of the organization of the company or of the capital paid in at the date of its organization, but I am advised and believe that a very large amount of new capital went into the business at the date of the organization of the International Harvester Co.

II. Concerning the New Jersey Zinc Co.:

(1) During my examination Senator Reed asked me the following question:

> How many combinations have been taken into that New Jersey Co., absorbed, or financed in any way? (C. R., 13243, col. 1.)

I understood that question to refer to the companies which were consolidated with the New Jersey Zinc Co. in 1877, as appears from other portions of my testimony. Upon reading my testimony it appears that Senator Reed's question really covered not simply the companies referred to, but subsidiaries subsequently organized or acquired. My answer to that inquiry therefore, viz, "Two besides ours," was not correct. Besides the three corporations mentioned in my testimony as subsidiaries of the New Jersey Zinc Co. there are the following, viz, the New Jersey Zinc Co. (of Pennsylvania), Palmer Land Co., Palmer Water Co., the Chestnut Ridge Railway Co., Tulsa Fuel & Manufacturing Co., and the Bertha Mineral Co.

(2) In stating the amount of the total spelter trade of the country (C. R., 13243, col. 1) I am quoted as stating that it amounts to $375,000 to $400,000. This is simply a clerical error, and should have read 375,000 to 400,000 tons.

THOMAS D. JONES.

[Certain papers specified in the order of the Senate were not printed for the reason that they were not submitted to the Senate, the nomination of Mr. Jones having been withdrawn by the President.—Printing Clerk.]

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